

REPORT OF DISTRICT FIVE REGIONAL ADVISORY
COMMITTEE TO THE NATIONAL PETROLEUM COUNCIL
MEETING OCTOBER 21, 1948

When the refineries of six of the larger oil companies on the Pacific Coast were struck on the morning of September 4, 1948, the distribution of petroleum products became a problem affecting every company west of the Rocky Mountains, whether they were struck or not. There was an immediate rush of buyers to the outlets of the non-struck companies resulting in abnormal sales and spot shortages. Many non-struck companies had exchange arrangements with struck companies which were immediately jeopardized. Unless immediate action are taken, there would be numerous consumers unable to get essential supplies of fuel and other products from their normal supplier during a period when there would actually be stocks being withheld in the hands of other suppliers.

This situation appeared no different than that existing on the Atlantic Coast on heating oils during the preceding winter. Whereas committees had been set up in Districts I, II, III, and IV, to handle such situations as provided for in the Taft Act (Public Law 395), no committee had been appointed for District V as no shortage had been foreseen.

With the shortage already on us, recommendation was made to the National Petroleum Council to establish a representative committee. Both the Council and the Department of the Interior acted immediately, the Department of the Interior approving the appointment of the committee in time for the Committee to hold its first meeting on September 10.

As related in the minutes of that first meeting, the purposes of the Committee have been to exchange information and products during the emergency, recommending limitations on deliveries to customers in order to meet the current demands of essential business and to recommend to

the industry, the public, and the Government, whatever action seemed in the interests of augmenting the availability of the petroleum products covered by the Voluntary Allocation Plan.

Our first action was to appoint sub-committees and have them approved. The distribution of petroleum in District V fans out through four main refinery and terminal points - Seattle, Portland, San Francisco and Los Angeles, hence a sub-committee of distribution men was appointed for each of these points. These sub-committees had, at their finger tips, daily information of available stocks and were able to advise each company what products other companies had available for exchange, loan, or sale, the details of the transfer, terms of sale, etc. in each case being left to the individual companies participating in the transaction to work out between themselves.

Other sub-committees became necessary as the number of transfers increased. An Accounting Committee was appointed to accumulate figures on inventories and to record daily requirements and off-takes from terminals and refineries. Total inventories at the beginning of the strike were in excellent shape on all products with the exception of 100 octane aviation gasoline. However, over one-half of these inventories were inside the refineries. Inventories in terminals in the Northwest were sufficient to last a good part of a month and were available both in terminals and marketing stations, none of which were affected by the strike. In the refinery areas such as San Francisco and Los Angeles, however, representing over 60% of our market, distribution systems had been built on direct shipments from refineries to dealers and wholesale consumers so that field stocks in the hands of the oil companies could last only from five to ten days without replacement.

No expense was spared by the individual companies in maintaining the supply. Satisfaction of the public with the job that was done was immediately indicated by the discontinuance of hoarding and distress buying.

It was recommended to each company that they limit deliveries of gasoline to retail outlets to 75% of their July deliveries, it being the consensus of the Committee that for all practical purposes all deliveries, other than those to service stations, were of an essential nature. These deliveries include the Military, mass transportation companies, transportation of essential commodities and agricultural users, as well as hospitals, doctors, police, etc. The public cooperated most effectively by postponing many unnecessary trips so that dealers were not too hard pressed to spread their allocations without consumer irritation.

As inventories began to run low several steps were taken to increase the supply, crude oil was diverted to operating refineries having additional capacity, and struck refineries were placed back in operation with supervisory personnel, non-strikers, and new recruits. While this operation was slow at first, after a period of about four weeks it resulted in the production of motor gasoline sufficient to take care of the curtailed requirements of the market without further draft on inventories.

The Committee then recommended that allocations be increased to 90% of July deliveries. In many places this is actually more than normal October requirements so it was proposed that any surplus be transferred to areas having a greater seasonal requirement.

Much good work in connection with increasing supplies was done by our Subcommittee on Refining and Supply and our Subcommittee on Transportation. The work of the Transportation Subcommittee should not be confused with that of the Distribution Subcommittee - the former con-

cerned itself with keeping facilities such as tankers, pipelines, barge operators, truck and trailer operators as well as railroads in operation and serving the struck refineries. This was not an easy matter as the crews of three of the tanker fleets were C.I.O. and refused to work ship at struck refineries. The crews of the railroads refused to go through picket lines so all rail movement in and out of refineries has been by supervisory personnel of the railroads. Over-the-road haulers and barge operators both had their troubles with their operating personnel but after a few stoppages during the first two weeks, have carried out their jobs most admirably.

The work of the Distribution Subcommittee has been to recommend the scheduling of movements between refinery and terminal points, as well as Alaska and Honolulu, so that no one area has been shorted because some other area is over-supplied.

Our present efforts are directed primarily toward augmenting the supplies of military aviation gasoline. Because of several weeks during which no aviation gasoline was produced by the struck companies it is necessary to step-up production above the normal daily rate for the remaining two and a half months of the year. This can only be done by exchanging components between all of the companies whether they have contracts for the supply of aviation gasoline or not and by extracting as many of these components as possible out of motor gasoline. This, plus the natural economic influence on the quality of gasoline when there is extensive rebranding of products, would normally tend to degrade the quality of motor gasoline. In order to place a floor under this pressure, your Committee recommended to the industry that they maintain a quality which would at least meet the military requirements of Specification VV-M-561, Amendment 1, dated August 28, 1946. At least the minimum requirements of the military for aviation gasoline will be met between now and the end of the year.

Inventories of heating oils were unusually high in September but we were concerned that loss of production for even a few weeks might result in a shortage of this commodity at the peak of the winter season. After our Subcommittee on Economics and Statistics was appointed and had an opportunity to estimate the demand, we were happy to find out we could continue with our then current production and drafting on inventories well into the early part of the year. Since that time production has been further increased to the point where our entire winter requirements can be met, barring unforeseen shut-downs or exports out of the Pacific Coast market.

Many resolutions have been passed and recommendations made, all of which are contained in the minutes of District V Regional Advisory Committee. The cooperation of the Department of the Interior, the Department of Commerce, the Armed Services Petroleum Purchasing Agency, the Army, Navy and Air Corps establishments on the West Coast, the non-struck oil companies, State and local governments, and the public in general, has been outstanding.

Each of the five Western states appointed Oil Coordinators. They have stood ready at all times to help us through their offices and the authority of the State, as well as in obtaining helpful publicity.

All of us who have seen the effectiveness of the oil industry in a real crisis are truly proud to be included as a part of it and appreciate the opportunity to serve which was provided by the National Petroleum Council's appointment of our Regional Advisory Committee.

DISTRICT V REGIONAL ADVISORY COMMITTEE

A. C. Stewart, Chairman

October 18, 1948

